

National Foreclosure Mitigation Counseling (NFMC) Rounds 4 and 5 QUALITY CONTROL & COMPLIANCE Standard Compliance Review

NFMC FILE DOCUMENTATION REQUIREMENTS

1. Documentation Required for All Levels of NFMC Counseling

The NFMC Grant Agreement requires all NFMC counseling clients, regardless of what level of counseling they receive, to receive a disclosure statement, sign an authorization, and have access to Grantee's and/or sub-grantee's Privacy Policy. Documented evidence that the client has received both of these should be included in all NFMC counseling files. These requirements are discussed in the NFMC Rounds 4 and 5 Grant Agreements, page 14:

IX. Conflict of Interest *"Grantee, and its Sub-grantees, Branches and Affiliates, as applicable, shall provide to all clients a disclosure statement that explicitly describes the various types of services provided, and any financial relationships between the Grantee and any other industry partners. The disclosure must state clearly that the client is not obligated to receive any other services offered by the Grantee or its exclusive partners. As noted on Page 6 of this Grant Agreement, Grantee must allow client access to Grantee's privacy policy statement and document receipt of the privacy statement in the client's file."*

Disclosure: Grantees must create a Disclosure document with the required language and present it to clients **at time of counseling**. Proof that client received the disclosure must be maintained in the file. Documented evidence of this can include a signature or electronic signature, if applicable.

Privacy: NFMC requires that its counseling clients have access to Grantee's and/or sub-grantee's Privacy Policy. Proof that the client received the policy must be maintained in the file. Documented evidence of this can include a signature or electronic signature, if applicable. Since the privacy policy is not required to be presented at the time of counseling, other acceptable evidence that the client received the policy include email, fax or postal mail receipt. ***Having access to the statement on the Grantees and/or sub-grantee's web-site does NOT satisfy this requirement unless there is affirmative confirmation that client has reviewed the policy in the file.***

Best Practice: Combine the Authorization, Disclosure, and Privacy Policy into one form that client signs and is maintained in the client's file.

2. The chart below details required documentation specific to the various levels of counseling. **All of this information can also be found in the NFMC Round 4 and Round 5 Grant Agreements (IX. Conflict of Interest pg. 14) and the NFMC Round 4 and Round 5 Funding Announcements (Eligible Activities, pgs. 9-16).**

| NFMC LEVEL 1 COUNSELING | | |
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| LEVEL | REQUIRED DOCUMENTATION | NOTES |
| 1 | <p>"Intake Form - Organization must conduct an intake including client name and address, basic demographic information, lender and loan information, and reason for delinquency. The National Industry Foreclosure Counseling Standards provide guidance on what should be included in an Intake Form document and www.nw.org/nfmc). It is recommended, but not required, that contact information for one additional person is collected at intake in the event that client moves or is otherwise unable to be reached following initial intake."</p> | <p>Grantees conduct intake in a variety of ways. Those that use electronic client management systems can submit a screenshot from their system showing the minimum required information has been collected. The Grantee must ensure that the information is readily available in the client file when requested by NFMC.</p> |
| 1 | <p>"Authorization Form: Organization shall collect a signed authorization form from the client or have other legally-permissible client authorization on record that will allow organization to (a) submit client-level information to the data collection system for this grant, (b) open files to be reviewed for program monitoring and compliance purposes, and (c) conduct follow-up with client related to program evaluation. Clients may opt-out of (c) above only, but proof of this opt-out must be retained in the clients file...</p> <p>NeighborWorks has provided a template authorization form available for Grantees to modify for their own use if they do not already have such a form. Alternatively, Grantees may incorporate the language above into their existing authorization forms."</p> | <p>Signed Authorization allows the counselor to submit data to the NFMC Data Collection System (DCS), review client information during testing for compliance and follow-up with clients for program evaluation. The authorization form must contain language allowing all of these activities to take place. Files uploaded to the NFMC Data Collection System without a signed Authorization form can create a legal liability for the Grantee.</p> <p>To mitigate risk, Grantees should ensure client files submitted to DCS have a signed authorization form in the client file.</p> <p>Counselors performing counseling via telephone or online should include electronic signature or verbal authorization, as permissible by law in the state(s) in which it operate(s), as documented evidence that the agency has received authorization to perform the activities described above and should be included in the client file.</p> <p>When performing telephone counseling Grantees should ensure a copy of the script indicates the client agrees to the Authorization requirements. A copy of the script used indicating the clients' agreement can be submitted for documented evidence and should be signed by the counselor.</p> <p>Grantees should verify verbal authorization laws in the state where NFMC counseling is being performed. Grantee is responsible for performing NFMC counseling within the limits of the laws in the state(s) in which it operates.</p> <p>If a client "opts-out" of follow-up for program evaluation it should be documented on the authorization form. If a client "opts-out" completely of participation in the NFMC program, this client should not be uploaded to DCS.</p> |

| LEVEL | REQUIRED DOCUMENTATION | NOTES |
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| 1 | <p>“Budget - Organization must develop a budget for the client based on client’s oral representation of their expenses, debts, and available sources of income.”</p> | <p>Grantees can submit the Level 1 budget in electronic form as a screenshot from their Client Management System (CMS), on a budget worksheet, or as part of another form. All documented evidence must include the clients name and/or client ID number to clearly identify the budget was created for the client file that was billed to NFMCC. Expenses, debt, and income, as represented by the client, must all be documented.</p> |
| 1 | <p>“Action Plan - Organization must develop a written Action Plan for follow up activities to be taken by the client and review this Action Plan with the client. The National Industry Foreclosure Counseling provide guidance on what should be included in an Action Plan. When developing this action plan, it is expected that the counselor will do a comprehensive analysis of the homeowners situation and recommend the best plan of action. If the homeowner seeks counseling to determine whether they qualify for the <i>Making Home Affordable</i> Program, or any subsequent loan modification programs sponsored by the U.S. Department of Treasury, the counselor must work to determine the homeowner’s eligibility before completing the Level 1 session. Even if the homeowner seeking counseling does not ask about the program, it is expected that the Level 1 session will include a screening for eligibility. Documentation that a screening occurred should be included in the Action Plan or client file.</p> | <p>Grantees should ensure that the Action Plan is clearly labeled in the client file. It must include the counselor’s assessment of the client’s situation with a recommendation for a plan of action. If the assessment and recommendation are part of the counselor notes, NFMCC requires that the information is transferred to a form titled Action Plan so that the assessment and course of action are clearly defined for compliance testing without reading through every detail of the counselor’s notes.</p> <p>NFMCC created an Action Plan template available on the NFMCC Members Website that can be used to collect this information. Grantees can use portions of the template to incorporate with their current process. <i>Use of the template is not required; however, Grantees must have an Action Plan form in NFMCC client files.</i></p> <p>Grantees should review the National Industry Standards for requirements of an Action Plan. Visit their website at: http://www.homeownershipstandards.org/</p> <p>Though it is good practice for clients to sign the Action Plan acknowledging receipt and their understanding of it contents, this is not a requirement for NFMCC.</p> |
| 1 | <p>Making Home Affordable (MHA) Screening: Organization must determine and document if client is eligible for a <i>Making Home Affordable</i> Program which include the following options:</p> <ul style="list-style-type: none"> ▪ <i>Refinance</i> ▪ <i>Modification</i> ▪ <i>FHA Loans</i> <p><i>The MHA screening template is located on the NFMCC Members Website.</i></p> | <p>Grantees must include a checklist that determines if NFMCC counseling clients are eligible for MHA. It is a requirement for Level 1 counseling. The checklist should include the client’s name and/or client id. If the client appears to be eligible, the counselor is required to collect documented evidence that ensures eligibility.</p> |

| NPMC LEVEL 2 COUNSELING | | |
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| LEVEL | REQUIRED DOCUMENTATION | NOTES |
| 2 | <p>“Budget Verification - Engage in budget verification during which the counselor reviews documented evidence provided by the client to establish true debt obligations (e.g., credit report), monthly expenses (e.g., monthly bills and banks statements) and spending patterns, and realistic opportunities for income (e.g., returns and pay stubs).”</p> | <p>NPMC recognizes that the client may not always be forthcoming with required documented evidence for budget verification. In these cases, to satisfy the budget verification requirement, the counselor can collect a credit report to verify debt and a paystub to verify income (<i>we strongly encourage grantees to collect documented evidence of expenses not listed on a credit report, i.e., utility bills, daycare, life insurance payments, etc.</i>). If a credit report is not pulled, the Grantee should collect documented evidence of all debt, expenses and income. A Credit Report alone does not satisfy the Budget Verification requirement. Budget verification includes verifying income and expenses.</p> |
| 2 | <p>Signed authorization form – If not collected during Level 1 (see Level 1 counseling requirements above)</p> | <p>SEE LEVEL 1 AUTHORIZATION NOTES</p> |
| 2 | <p>“Steps to obtain a solution outlined in the written Action Plan are taken and documented using counseling notes that indicate date counseling occurred. This could include but is not limited to the following:</p> <p>a. Draft and submit to the servicer a hardship letter that describes the clients situation, reason for delinquency, factors that should be considered when developing a workout plan, and an estimate of the housing cost the client can afford to pay;</p> <p>b. Document an attempt to contact the servicer or lender and, if a workout is possible, fill out and submit forms required by the servicer to move forward with a workout plan, loan modification or other available program. NeighborWorks will endeavor to post e-mail contact information for servicers who have made such information available on the www.nw.org/npmc website so documentation of attempts to reach servicers is easily captured;</p> <p>c. Complete and submit application for local resource options including refinance programs or rescue funds; and</p> <p>d. Assist in situations where client elects to pursue sale options.</p> <p>e. Collecting and transmitting documentation required for <i>Making Home Affordable</i> refinance or modification decisions, if that is what Action Plan dictates.”</p> | <p>Counselors should use the Action Plan created during Level 1 counseling to document <u>Steps to Obtain a Solution</u>. The Action Plan created in Level 1 determines the action necessary for the client. Counselor must note in counselor notes the action(s) taken AND be able to back up those actions with documented evidence when compliance testing occurs. The following are examples of documented evidence :</p> <p>Hardship Letter: Create and submit. Counselors can submit a copy of the fax transaction, email or postal mail receipt as evidence of an attempt to contact the Servicer on behalf of the client.</p> <p>Resource referral: Counselors should create a form used to refer clients to other options (employment training, legal, realtor, etc.). The form should detail why and where the client is being referred. Documented evidence the referral took place can include fax transaction, email or postal mail receipt.</p> <p>MHA application or other refinance, modification programs. Documented evidence the application was submitted can include fax transaction, email or postal mail receipt.</p> <p>Hope Loan Portal screen shot showing information was submitted directly to the servicer via the Hope Loan Portal.</p> <p>Counselors Notes do not satisfy the requirement for Steps to Obtain a Solution. The notes do not provide documented evidence that the Action took place.</p> |

| LEVEL | REQUIRED DOCUMENTATION | NOTES |
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| 2 | <p>“Close-out - For purposes of this grant, “close-out documentation” refers to the documentation of steps taken in #3 above (<i>Steps taken to obtain a solution</i>” in order to report this client as having received Level Two counseling. All files need to contain a reason for close out and, if applicable, any documentation demonstrating solution. Client data may be uploaded into the data collection system before an outcome is reached, as long as close-out documentation for NFMC Program reporting purposes is in client file.”</p> | <p>Counselors should document in the file the reason for close-out, and must also provide documented evidence of Steps to Obtain a Solution. If the counselor has submitted documented evidence of Steps to Obtain a Solution this is sufficient documentation that close-out occurred. The counselor should also indicate in the file that for NFMC purposes the file is closed-out (the file has been billed to NFMC and the appropriate documentation is in the file). A template for close-out is available on the NFMC Members Website.</p> |
| NFMC LEVEL 4a Counseling | | |
| LEVEL | REQUIRED DOCUMENTATION | NOTES |
| 4a | <p>Referral Letter: “Organization shall keep on file proof that the client was referred to the agency with a trial Making Home Affordable loan modification for Level 4 counseling because his or her back-end debt-to income ratio is 55% or greater. In many cases, this will be a copy of the trial loan modification agreement or the counseling agency referral letter from the servicer stating the reason for referral as high, or noting the calculated ratio. If there is no letter, or the letter given to the borrower does not identify the back-end debt-to income ratio, the agency must first try to confirm the reason for the referral from servicer, and if this cannot be obtained, the counselor can calculate the ratio, and if it is 55% or greater, that client can be funded.”</p> | <p>Counselor must collect either the trial loan modification or the counseling agency referral letter from the servicer stating the reason for referral is high back end DTI. If these are not available, counselor must try to confirm reason for referral from servicer and document attempts to reach servicer for this purpose in the client field (copy of email, fax or letter to servicer would suffice). If servicer is not forthcoming or is unreachable, the counselor must calculate and document a back end DTI of 55% or greater.</p> |
| 4a | <p>Authorization:– “Organization shall collect a signed authorization form from the client or have other legally-permissible client authorization on record that will allow organization to (a) submit client-level information to the data collection system for this grant, (b) open files to be reviewed for program monitoring and compliance purposes, and (c) conduct follow-up with client related to program evaluation.”</p> | <p>SEE LEVEL 1 AUTHORIZATION NOTES</p> |
| 4a | <p>Verified Budget at Intake: “Engage in budget verification during which the counselor reviews documented evidence provided by the client to establish true debt obligations (e.g., credit report), monthly expenses (e.g., monthly bills and banks statements) and spending patterns, and realistic opportunities for income (e.g., returns and pay stubs). Establish that budget must be tracked over the course of counseling.”</p> | <p>SEE LEVEL 2 BUDGET VERIFICATION NOTES</p> |

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| 4a | Documentation of DTI: “The counselor will verify income, debt, and expenses and calculate back-end debt-to income ratio. The back-end DTI is the ratio of the borrower’s total monthly debt payments to the borrower’s Monthly Gross Income. A standard for calculating back end DTI is included in the Counseling Protocol.” | Grantees should ensure that counselors understand how to calculate the back-end DTI. A document indicating the calculation must be in the file. . Documented evidence of the income and debt used to calculate the DTI should be in the client file. A credit report is not sufficient to calculate DTI, as income must also be validated. |
| 4a | Action Plan: “Create Action Plan which includes a timeline to eliminate unnecessary debt, minimize expenses, increase income, and increase savings.” | Different from a Level 1 Action Plan, the 4a Action Plan is focused on how the client can maintain the trial modification and be prepared for the next steps of modification or refinance, etc. Required to be included in this Action Plan are timeline to eliminate unnecessary debt, minimize expenses, increase income, and increase savings. This information should be included in a document titled, “4a Action Plan.” |
| 4a | Date of Follow-up Meeting: “Establish follow-up schedule with counselor, with at least one additional appointment, as required by the action plan. It is expected that a borrower will notify their counselor if they have a significant change in circumstances.” | Counselor should provide the client with a follow-up appointment at the end of the 4a session. This can be in the form of a letter sent to the client with verification (email, fax transaction, postal mail receipt). |
| 4a | <p>6. Discuss terms of mortgage and how to stay current, even if/when rate resets. Explain incentive component and that re-defaulting loans will be terminated from the program. A loan will be considered to have redefaulted when the borrower reaches a 90-day delinquency status under the MBA delinquency calculation. Note: in order to successfully complete the initial trial period (at minimum three payments at modified terms), a borrower must be current by the third payment.</p> <p>7. Refer to job training or referral programs if applicable</p> <p>9. Establish that budget (including analysis of actual income, debt and expenses) must be tracked over the course of counseling</p> | <p>Clarification: The NFMF Round 4 and 5 Funding Announcements list 10 steps for Level 4a counseling. However, they also states the following must be in the client file when billing for Level 4a: <i>proof of legitimate referral from servicer, authorization form, verified budget at intake, documentation of back end DTI, Action Plan, and date of follow-up meeting.</i></p> <p>This statement does not mention steps 6, 7 and 9. This does not mean that these steps are not required. What this means is that when reviewing the file it would not be considered a Finding if documented evidence for 6, 7 and 9 were not in the file. NFMF expects that its Grantees are providing all steps as listed in the Funding Announcement.</p> |

| NPMC LEVEL 4b Counseling | | |
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| LEVEL | REQUIRED DOCUMENTATION | NOTES |
| 4b | Documentation of Back End DTI at Time of Second Appointment - The counselor will re-verify income, debt, and expenses and recalculate the back-end debt-to income ratio. The back-end DTI is the ratio of the borrower's total monthly debt payments to the borrower's Monthly Gross Income. A standard for calculating back end DTI is included in the Counseling Protocol. | SEE LEVEL 4a DOCUMENTATION OF DTI |
| 4b | Maintenance of Budget: "Documentation of borrower's ability to keep to crisis budget and/or long term budget and progress against Action Plan developed during first visit." | Counselor should document the client's ability to keep to the crisis budget and/or long term budget created during the initial appointment (4a). This could be an updated crisis or long term that reflects the client is on track, a credit report could be pulled to ensure the client is paying their debt on time (typically this would be done if the second appointment is 30 days or more to ensure the credit report has been updated) or the counselor could provide a narrative that states the client is still on track. If a narrative is used it should be clear when the file is tested for compliance that this is a "Verified Budget at Time of Second Appointment." |
| 4b | Status of Borrower's Modified Loan: Status of borrower's payment on modified loan | Documented evidence includes a current mortgage statement that details the status of the client's payments (on time, delinquent, etc.) |

| LEGAL ASSISTANCE | |
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| REQUIRED DOCUMENTATION | NOTES |
| <p>Authorization Forms - “Clients that are referred to legal staff or a contracting legal entity must sign an authorization form permitting their housing counselor/agency and the legal staff/contracting legal entity to share the client’s file [where permitted by law].... This authorization form must be kept in the client’s file.” <i>--Funding Announcement, Page 8</i></p> | <p>The Authorization Form enables the Grantee, counseling agency, and legal service providers to work together to serve the client and report the required client-level data to the Data Collection System.</p> <p>A Grantee may satisfy this client file requirement in the following ways:</p> <ul style="list-style-type: none"> • Authorization Form signed by client expressly permitting counselor to share client file with the partnering legal service provider; • Authorization Form signed by client permitting counselor to share client file with third parties, as necessary to further foreclosure mitigation efforts; or • Script or counselor notes that Authorization Form was read to client and client assented to the sharing of his/her file with the legal service provider or third parties. |
| <p>Reason for Referral - “The Grantee, Sub-grantee, Branch or Affiliate must ... create a comprehensive client file which shall contain, at minimum, all the mandatory documentation and data required under the National Foreclosure Mitigation Counseling Program and <u>documentation of legal issues that cannot be handled by the foreclosure counselor emerged during the foreclosure counseling engagement.</u>” <i>--Funding Announcement, Page 6</i></p> | <p>The statute that created NFMC Legal Assistance stated the funds were for clients who had legal issues that could not be handled by their housing counselor. Therefore, counselors are required to document the legal issue that caused him/her to refer the client to legal assistance.</p> <p>A Grantee may satisfy this client file requirement in the following ways:</p> <ul style="list-style-type: none"> • Legal Assistance Referral Form completed by counselor that explains the reason client is being referred to the participating legal service provider; • Counselor notes that explain the reason client is being referred to the participating legal service provider; or • Communication from counselor to legal service provider explaining reason client is being referred to legal assistance. |
| <p>Evidence of Counseling Prior to Legal Referral - “Each homeowner must be counseled at Level 1, 2 or 3 in accordance with the terms of the National Foreclosure Mitigation Counseling Program by a NFMC Program counselor prior to being referred to legal staff or a contracting legal entity.” <i>--Funding Announcement, Page 6</i></p> | <p>NFMC Legal Assistance is reserved for clients who have already received <u>at least</u> the equivalent of NFMC Level 1 counseling. While the client does not have to have been reported to the Data Collection System, the Grantee must provide evidence that the client received counseling before receiving legal assistance.</p> <p>A Grantee may satisfy this client file requirement in the following ways:</p> <ul style="list-style-type: none"> • Counseling intake form and Legal Assistance Referral Form with dates indicating that counseling preceded the legal assistance; • Dated Legal Assistance Referral Form or counselor notes referring client to legal assistance prior to the date the client’s legal assistance unit was reported to the Data Collection System; or • Other dated material showing that client received counseling before being referred to NFMC-funded legal assistance. |

***SPECIAL NOTE:** Grantees are required to input client information in DCS when uploading client files that includes Age, Race, Gender, City, State, and Zip Code. For the Standard Compliance Testing, NFMC will not be providing client names to Grantees but will only be providing Client ID numbers in the request for documentation. In order for NFMC to verify the client files given to NFMC for the Standard Compliance Testing against the information in DCS, grantees must include the above mentioned client information (Age, Race, Gender, City, State, and Zip Code) in their client documentation for the Standard Compliance Testing. This information could be included in an intake form, a screen shot of the Client Management System, clearly highlighted on a bill, pay stub, credit report, or other documentation that contains pieces of this information, and can be combined and provided to NFMC for each client in the provided template (Appendix A following the chart) for ease of use. Please be sure to clearly mark this information by highlighting, underlining, or some other action so that the information is apparent and easy to verify.

Client Information Form

Organization Name: _____

Client ID Number: _____

Client Name: _____

Client’s Age: _____ Client’s Gender: _____

Client’s Race: _____

Client Address Information

Client’s City: _____

Client’s State: _____ Client’s Zip Code: _____

If any of the above mentioned information appears differently in documented evidence in the Client’s file, please give a brief description and reason for the discrepancy: